# Fiscal Democracy Approach and Turkey [1 2 3]

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**Abstract**

The budgets, which play an important role in the development of democracy in the historical process, are one of the building blocks of the functioning and functioning of the democratic process. In representative democracies, which are mostly implemented today, the right of the budget is transferred to the executive body elected by the people. However, since the disadvantages of representative democracy have been taken into consideration in recent years, different budgeting approaches have come to the fore. Especially in recent years, different approaches such as participatory budgeting, gender budgeting, social budgeting, and citizen-centered budgeting have been proposed because of their efforts to increase the degree of democratization. In addition, the concept of Fiscal Democracy has been introduced as a distinct and inclusive indicator of the aforementioned budgetary approaches. The concept of Fiscal Democracy, which is not yet fully defined, has the basic qualities that can be considered especially according to the structural conditions of the countries. The fiscal democracy, which proposes a double distinction as optional and compulsory expenditures in the voting of the budget by the representative assemblies, is trying to determine how flexible the elected executive bodies are. This flexibility is measured by the Fiscal Democracy Index. As a result of this index, it is debated to the extent to which the countries can respond to the public's wishes by showing how much they are or are not able to act or have fiscal space in the public finance field. Earlier calculations of motion of the countries, the General Government Balance of mandatory and optional of making a distinction, Fiscal Democracy Index, covering the period 1950-2018 was calculated for Turkey. According to the findings of the Fiscal Democracy Index compared with Turkey despite a bumpy graphics display but other countries that share similar results if the necessary measures are taken in the later stages of deterioration it has been estimated to be in the index.

**Keywords*:*** Fiscal Democracy, Budget, Democracy, Fiscal Space, Tax Competition, Accountability, Taxation, Public Spending, Current Expenditures, Investment Expenditures, Transfer Payments, Interest Payments, Budget Flexibility, Compulsory Expenditures, Redistribution

## Introduction

The budget, which has an important role in the development of democracy in the

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historical process, is one of the basic building blocks of the democratic process. In representative democracies, the budget right which is mostly applied nowadays is delegated by giving permission and authority to the government elected by the people.

However, considering the disadvantages of representative democracy in recent years, different budgeting approaches come to the fore. In recent years, especially in the understanding of budgeting; different understandings such as participatory budgeting, sexist budgeting, social budgeting, citizen-focused budgeting are put forward in part because of efforts to increase the degree of democratization. In addition, the concept of fiscal democracy was put forward as a different and inclusive indicator from the aforementioned budget approaches. The concept of fiscal democracy, which has not yet been clearly defined, has the basic qualities that can be evaluated differently, especially when considered according to the specific structural conditions of the countries. The fiscal democracy, which proposes a dual distinction as the optional and compulsory expenditures in the parliament's vote by the parliament, tries to determine how flexible the elected executive bodies are. This flexibility is tried to be measured by Fiscal Democracy Index. As a result of this index, it is discussed how much mobility or fiscal space the countries have in the field of public finance.

Before the concept of fiscal democracy, the relationship between budget and democracy will be discussed. Then, the historical and theoretical structure of the concept of fiscal democracy will be explained. In the third part of the study, the relationship between globalization and the tax competition which is one of the concepts it brings with fiscal democracy and its effects will be evaluated. In the fourth part of the study, the countries where the fiscal democracy index is calculated will be evaluated. In the last part will make suggestions about the fiscal results calculated by evaluating democracy index covers the years 1950-2018 for Turkey.

1. Budget and Democracy

The birth of democracy was the result of efforts to limit the taxing power of political authority. The limitation of the power of taxation is the essence of the legislative powers of parliaments. In the historical process, it is seen that the first struggle for democracy started as a reaction or attitude towards the arbitrary attitudes of the governments on taxation. Parliaments have received their first and most important powers of taxation. The rule that unofficial taxation cannot be accepted as one of the basic constitutional principles of western democracies (Cagan, 1980: 131). Both the concepts of budgeting and democracy have been linked to each other in the historical process. The emergence of the need for budgeting stems from the desire to control increasingly expanding and complex government spending, especially in countries that are on the road to liberalization and democratization. It is normal for a significant expansion of government activities to create some changes in the political process. This is a reflection of the desire of citizens who acquire or have political rights in the democratic process to control the expenditures and revenues of the government. Moreover, this situation is closely related to meeting the public goods and services needed by citizens (Singer, 1996: 20-21).

Therefore, it can be said that the Parliaments gained their first powers as a result of the demand to control public finances. First of all, it is aimed to limit the excessive taxes and increased public expenditures imposed on the citizens of the non-democratic executive power with the control of the taxes and then the public expenditures of the parliaments formed by the public representatives. This first step on the path to democratization means the sharing of

these powers with the elected executive body by limiting the powers of absolute power through Parliaments (Cagan, 2009: 183-184; Cagan, 1985: 199). Budgets are implemented by all organizations, whether in the public or private sector, in terms of performance measurement, evaluation, and control, and are an important tool for rationalizing public finances. Moreover, the budget is more than a technical approach, it is a political process jointly carried out by the executive and the legislative body at the point of decision-making and allocation of resources for taxation and other resources. Therefore, it can be said that the separation of powers is historically shaped on the basis of budgeting (Singer, 1996: 21).

Although the budget right is an important concept in the development and development of the democratic regime, the budget right is essentially the right of the citizens. In representative democracies, this essential right is used through authorized representatives. Therefore, the budgetary authority of the parliament, rather than the budget right, government power, and the authority of the budget can be mentioned (Cagan, 2009: 183-184).

Towards the end of the twentieth century, the development of information and communication technologies and the transition to the information society, the effectiveness, and democratization of representative democracies have begun to be questioned. Debates on the applicability of direct democracy for the control of public finances have been revealed within the framework of the fiscal transparency and accountability with citizens' right to information (Cagan, 2009: 183-184). In the context of these debates, it is important to explore the relationship between budgeting and society and the relationship between budgeting and democracy (Rubin, 1990: 187). In representative democracies, when the reasons that decrease the effect of the parliament in the budget process are examined, a large part of the law emerged in the previous periods and thus the commitments made for the permanent works. Hence, the majority of public expenditures are predetermined. In this case, the budgeting process turns into a mandatory ceremony that must be fulfilled (Cagan, 2009: 188; Cagan, 1985: 221).

Such a strong interaction between the concepts of budget and democracy and the debates on the subject, especially in the point of democracy, form the basis of this study.

2. Fiscal Democracy

Since the late 1970s, the problem of political inheritance is an important theme in the public finance literature. In most democratic states, the ongoing budget deficits and the increase in public debt have left a negative political heritage to the governments of choice or elected. As a result of the borrowing which is applied as the financing of increasing deficits, factors such as interest burden and insufficient tax revenues are threatened by the democratic system in the following years (Streeck and Mertens, 2010: 5). In addition to the fiscal pressures, the selected governments are becoming increasingly confronted with new demands, and the extent of this problem is expanding from the fiscal to the political and social spheres.

In fact, although the concept of fiscal democracy is new in the literature, it is quite old in terms of content. This idea is closely related to the fact that the elected governments and parliaments are the heirs of the political legacies of the previous governments and parliaments. Negative political heritage narrows the capacity of elected governments and parliaments to respond to emerging social problems. Because it is difficult to eliminate the previously decided and implemented government spending programs, it is a mechanism that gradually increases the costs within the framework of the compound interest logic (Streeck and Mertens, 2010: 5).

Although the concept of fiscal democracy was put forward by Eugene and Steurle, it was not clearly defined. Therefore, the meaning of fiscal democracy is more intuitive. Because a country's current priorities often have fiscal implications, democracy is essentially a fiscal issue. In the voting process, democratic control is possible with the capacity to make a difference in political conditions. If there is no alternative situation, the voting process is no longer meaningful and becomes unnecessary. Fiscal democracy does not only include formal preconditions (eg equal voting rights) but also includes conditions such as political preference and autonomy. In fact, fiscal democracy is the case when voters have the power to change the government and have the power to determine fiscal policies in the light of the electoral preferences of the elected governments (Genschel and Schwarz, 2012: 1; Genschel and Schwarz, 2013: 59; Steurle, 2016).

At this point, the negative political legacies, which involve a large part of the tax revenues from the perspective of government and parliament, lead to the problem of fiscal democracy. Because government and parliaments have made decisions for many things in the past, there is very little left for decision-making today (Streeck and Mertens, 2010). This situation causes the flexibility and mobility of governments on the fiscal resources, in other words, the fiscal space, and the question of the democratic system in order to respond to the demands of the people.

It is generally suggested that the problems faced by democratic governments are in the form of the budget deficit, fiscal sustainability, and budget consolidations. In fact, these deficits or fiscal imbalances are the symptoms of a larger problem that can be defined as the biggest and the most complete reduction of fiscal democracy These negative situations can be defined as the reduction of fiscal democracy in the widest and most comprehensive form (Steurle, 2012: 148; Steurle, 2014: 3).

Under the main heading of fiscal democracy, these negatives (Steurle, 2012: 148-149) can be listed as follows;

Long-term sustainability: If the policies of today do not change, the shortcomings become unsustainable in the long term and threaten the economy.

Counter-cyclical policy: It threatens the mobility or fiscal ability of governments against possible counter-cycle period.

Fiscal sclerosis: To allocate the resources of the future on the basis of today, rather than tomorrow, creates inefficiency. Because, at present, budgets tend to be increasingly dependent on consumption expenditures. The budgets focusing on more consumption reduce the fiscal area and cause fiscal hardening by threatening or reducing the expenditures in important areas such as education or investment.

Social welfare policies that are insufficient in terms of inclusive growth: When sustainability and fiscal sclerosis issues are set aside, systems for social welfare are increasingly unfair, inefficient and regressive.

These negativities also reveal three political dilemmas (Steurle, 2012: 149);

Fiscal democracy: Under current circumstances, the law restricts today's governments under the heading of compulsory expenditure schemes, according to the rules and rules applied by yesterday's legislators. The shrinking movement of governments, which are elected by the voters of today and tomorrow, has a negative impact on fiscal democracy.

Classic prisoners' dilemma: Regardless of what political views, governments are facing cuts in spending or an increase in taxes to reduce deficits and ensure sustainability. When

governments make an assessment in the election or vote perspective, they remain within the classical prisoner gap, having to face the risk of losing their current positions on the one hand, on the one hand with this spending cut or tax increases.

The difficulty of fixing the government: It is quite difficult to apply all expectations at the same time in the decisions of the governments chosen for the purpose of a major program to be used mainly for correction or to restrict discretionary actions. One government can focus on educational spending, while another can focus on tax cuts. This makes it difficult to put selected governments into a fixed pattern.

In fact, these problems are concerned not only with the sustainability of deficits or public debts but also with the increasing pressure of today's politicians to control future budgets. There is pressure on both sides when looking at the budget in terms of expenditure and income. For example, on the one hand, the pressures on the income side, such as tax cuts that are constantly on the agenda along with the increasing pressure of welfare policies and wages, have a negative impact on fiscal democracy and create a dangerous position for the sustainability of budgets (Steurle, 2014: 25).

At this point, it should be noted that fiscal sustainability is a fundamental issue in public finance and macroeconomic area for emerging economies. In most crisis periods, the burden of public debt service burden and the tendency of excessive spending tend to create negative situations in the face of negative shocks. Spending programs for the unemployed and the poor are problematic over time with the public spending programs that are aggressively implemented by developing economies to respond to social demands. These spending programs increase the public debt burden and make countries vulnerable to crises. Finally, the increase in compulsory expenditures may negatively affect the quality of the country's competitiveness, capital accumulation, and fiscal consolidation by excluding investment expenditures. For all these reasons, the budget composition should remain flexible in order to meet the fiscal targets set in the medium-term budget framework and to adapt to potential shocks (Echeverry et al. 2005: 1-2; IMF, 2013: 29; Cebi, 2015: 4). Thus, the index of fiscal democracy will increase and the increase of this index will provide positive contributions both to meet the demands of the citizens and to ensure a sustainable fiscal structure.

In addition, allocation of resources in democratic systems should reflect the preferences and priorities of the society. These priorities and preferences should be considered by democratically elected deputies. However, it should not be forgotten that these demands are not always sufficient to provide budgetary flexibility and sometimes cause the budget to solidify (Echeverry et al. 2005: 13).

From a fiscal rule perspective to fiscal democracy, the budgetary rules and debt limits accepted in the field of public finance at the macro level are in fact closely related to fiscal democracy. Because the debt principal and interest payments from the previous periods to reduce the fiscal democracy. This situation is not only focused on the national scale, but also on regional or international agreements as in the case of the European Union (Streeck, 2015: 25).

Fiscal democracy is also closely related to the efficiency of government spending. Increasing efficiency in government expenditures requires the reduction of the rigidities in budgetary management, that is, the compulsory expenditures. If budget management is not sufficient and effective in this regard, the targets may not be achieved in order to ensure that the expenditures are efficient (Mattina and Gunnarsson, 2007). In addition, the increase in the

compulsory expenditures within the budget makes it difficult for both budgetary and fiscal policies to respond to possible shocks. At the same time, it may disrupt the fiscal discipline in line with the continuous increase in the required expenditures in expenditure items. At this point, increasing the flexibility of the budget increases the quality of fiscal policy and gives policymakers the opportunity to act (Cebi, 2015: 4; Dag, 2017: 129).

Fiscal Democracy and Tax Competition

In the historical process, as the world economy is increasingly dependent on each other, the adaptation of national tax systems to international conditions becomes a necessity rather than a need. This inevitable necessity implies creating a system by taking into account international mobility while not interfering with the competitiveness of the national industry. In almost all OECD countries, the share of public sector in national income is at a significant level compared to developing countries. Per capita income growth forces governments to make significant expenditures in welfare policies such as health, education, unemployment, and social services. These responsibilities put the countries under considerable burden with the defense and infrastructure expenditures existing in all countries (Boadway, 2005: 910-911; Sorensen, 1994: 57-58; Nielsen and Sorensen, 1997: 312).

For this reason, political decision makers who design the tax policy face three different pressures closely linked to each other. These pressure factors; globalization, the internal dynamics of countries and budgetary constraints. Globalization is about racing towards the bottom which limits the capacity to increase tax revenues. Economic problems stemming from internal dynamics are forcing tax cuts on capital and labor, which are competing in the global arena. In addition, budgetary constraints, and especially the public sector's debt stock, narrow down the field of action by introducing serious difficulties in regulating tax policies (Oz, 2006: 72). Countries apply tax competition under these constraints and pressure factors.

Tax competition, in its most general definition, is to partially or completely abandon the rights of countries to tax their economic activities in order to increase their competitiveness on a national scale and to attract foreign capital to the national economy. In a broader context, it refers to the impact of countries' tax policies on other countries. Finally, tax competition is a policy tool that makes the country economically attractive by reducing the effective tax rates and thus increasing the national welfare (Yurdadog and Albayrak, 2017: 122-123).

Fiscal democracy is under pressure not only by spending but also by income. At this point, worries about income are closely related to international tax competition. According to Genschel and Schwarz's studies in 2012 and 2013, the political economy literature is divided into two categories: whether such a competition will strike fiscal democracy. Some researchers argue that tax competition undermines the national tax autonomy by harming the fiscal democracy, while others argue that tax competition does not restrict the national tax autonomy and therefore does no harm to fiscal democracy (Genschel and Schwarz, 2012: 1-2; Genschel and Schwarz, 2013: 60).

There are many comments on the theory of tax competition. But three main trends about his reality can be summarized as follows (Genschel and Schwarz, 2013: 62-63);

Race to the bottom: Countries provide tax cuts to provide a competitive advantage, while they are also experiencing.

Asymmetry: Small countries tend to increase tax revenues and reduce tax rates and revenues of large countries.

Redistribution: While the mobile tax base moves from major countries to small countries (international redistribution), the national tax burden shifts from the mobile base to the non-mobile tax base at the same time (domestic redistribution).

Firstly, tax competition has a negative impact on national tax autonomy. All the competing countries are constrained by the capital, whether large or small, which is mobile. National governments are also taxing non-mobile labor and consumption more and more in order to cover the compulsory expenditure. Therefore, the tax burden shifts from capital to labor and the benefit of individuals is decreasing due to decreasing public expenditures. For these reasons, tax competition adversely affects the income distribution between the two groups of society. Secondly, tax competition positively affects fiscal democracy in countries called small or peripheral countries. Countries such as Ireland or Luxembourg have benefited both in terms of direct tax revenues and indirectly in terms of additional employment. In general, it can be said that the effects of tax competition on fiscal democracy are uncertain. Even though tax competition is said to affect fiscal democracy positively in small, poor or environmental countries, fiscal democracy is adversely affected in large countries (Genschel and Schwarz, 2013: 77-78).

1. Fiscal Democracy Index and Country Examples

Steurle specifically focused on the political obligations and constraints that affect the preferences of yesterday's legislators, which affect the fiscal preferences of today's government or parliament. In order to measure these constraints and obligations, they developed the fiscal democracy index, which means the percentage of the remaining public revenues in the budget after deducting the obligatory public expenditures (including public debt interest). One way to measure how much the public fiscal balances of countries have changed is the so-called “Fiscal Democracy Index” (Steurle, 2010: 1; Steurle, 2016). When the literature on the Fiscal Democracy Index is examined, it is observed that the Fiscal Democracy Index is calculated for the United States, Germany, and the Czech Republic.

According to Steurle 2012, the calculation of the fiscal democracy index; is expressed as a percentage of remaining public revenues within the budget after collecting the compulsory expenditures and public debt rates. The fiscal Democracy Index has been a downward trend in the US since the 1970s. Especially in the financial crisis period in 2009, the index fell below zero. During this period, compulsory expenditures including interest payments exceeded total government revenues and therefore discretionary expenditures were tried to be financed by debt (Streeck and Mertens, 2010:7-8).

In Germany, since the 1970s, the Fiscal Democracy Index has been declining even more than in the United States. In particular, the unemployment benefit payments, the social security system and the increasing level of social benefits have steadily narrowed the German government’s political preference. However, the low interest rates since the 1990s made a positive contribution to the index by decreasing the cost of the debt service. However, the decrease in defense spending in the following years, especially after the end of the Cold War period, is another positive effect. However, at the end of the 1990s, the index continued to fall towards the beginning of the 2000s (Streeck and Mertens, 2010: 10-11).

In addition to the United States and Germany, the Fiscal Democracy Index for the Czech Republic for the years 1995-2009 has been calculated. According to the results obtained from 1995 to 2009, it is concluded that the index has lost almost half of its value. This decrease in

the index is explained as a significant increase in social expenditures in the long term and the increase in the budget of the European Union and the increase in interest payments (Rozensky, 2012: 45-55)

The Fiscal Democracy Index is conservative or, to a lesser extent, neutral in the face of the liberal political economy debate over the size of the state or government. Contrary to current budget laws, both tax cuts and increases in compulsory expenditures reduce the budget's flexibility and further increase control over past budget decisions (Steurle, 2012: 150).

In general, Germany, the US, and the Czech Republic had a significant reduction in the Fiscal Democracy Index since the 1970s. Indeed, it is observed that these countries have almost lost all their fiscal space in the face of any unexpected economic problems, such as mobility or flexibility against a possible future crisis.

2. Calculation of Fiscal Democracy Index for Turkey

In this section, the calculation, evaluation, and results of the Fiscal Democracy Index for Turkey will be given. The index calculated for Turkey used the general government balance data for 1950-2018. As is known, Turkey's general state balance includes Government Budget, Social Security Institutions, Regulatory and Supervisory Institutions, and Local Administrations. Thus, taking into account the general state balance, which includes other administrations and institutions, rather than focusing solely on the central government budget, the calculation will ensure that the Fiscal Democracy Index is both more comprehensive and healthier. According to the economic classification, the general government balance is composed of current expenditures, investment expenditures and transfer payments in the most general form.

Current expenditures are expenditures made for goods and services which are not allocated capital goods and which are exhausted by using them in the current year and which do not show any continuity of benefits but are repeated each year. For example, current expenditures, salaries, and wages paid to public employees, the functioning of public institutions are related to the provision and maintenance of administrative services (electricity, water, stationery) and related expenditures (Edizdogan et al. 2015: 88; Mutluer, 2010: 119).

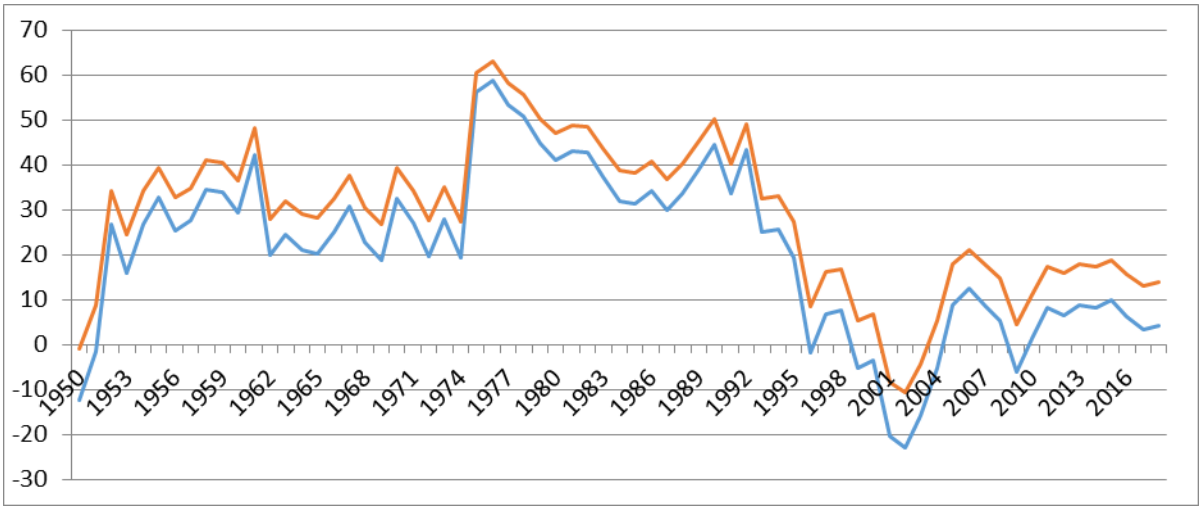
Investment expenditures are expenditures related to infrastructure investments and machinery-equipment purchases that show the benefits of continuity, provide capital accumulation and increase production capacity (Edizdogan et al. 2015: 88-89; Mutluer et al., 2010: 119-120).

Transfer payments are transferred to persons who do not cause an increase in national income or transfers to a certain part of the society for economic, fiscal or social reasons. The most important transfer payments in the general budget balance are interest payments. In addition to interest payments, there are sub-items such as participation in institutions, economic transfers, and assistance, fiscal transfers, social transfers, other debt payments, fund payments, expropriation and others (Ozbaran, 2004: 122).

In the light of the applied studies on the USA, Germany and the Czech Republic, two different indices are calculated by subjecting these expenditure items to a dual separation. These are called “Fiscal Democracy Index” and “Flexible Fiscal Democracy Index”. In the Fiscal Democracy Index, all current expenditures and transfer payments are considered compulsory expenditures, while investment expenditures are assumed to be optional

expenditures. In addition, while interest payments are considered as compulsory expenditure on transfer payments, capital transfers are accepted as optional expenditures. In other calculations called the Flexible Fiscal Democracy Index, the calculation was made assuming a general evaluation of the share of 10% change in the compulsory expenditures accepted in the first index. The results of these calculations are shown in Figure 1 below:

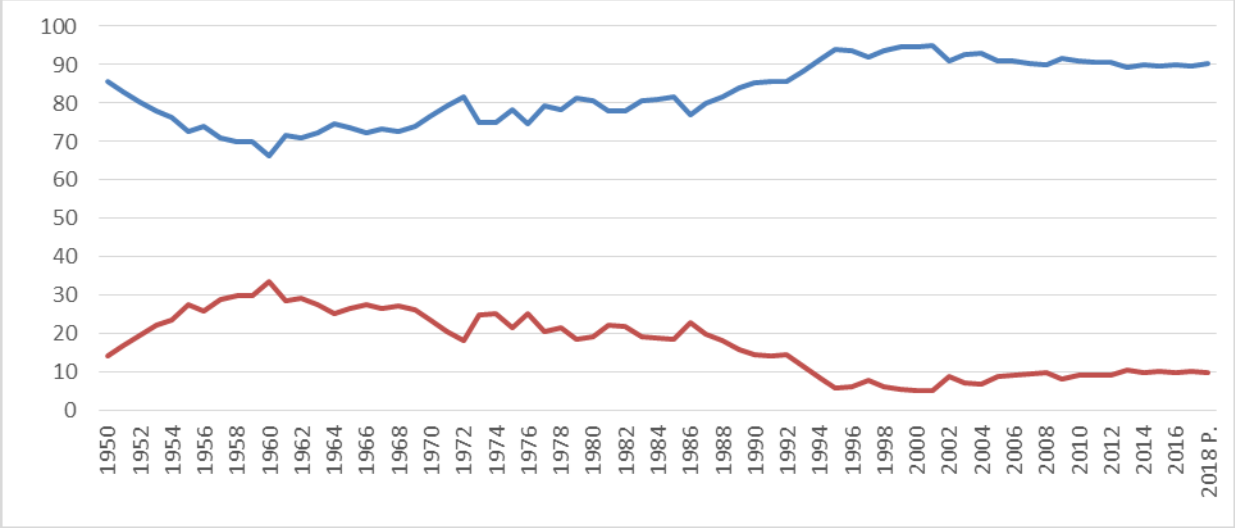
Figure 1: Fiscal Democracy Index in Turkey




Reference: The data obtained from the General Directorate of Budget and Fiscal Control (BUMKO) database were calculated by us. http://www.bumko.gov.tr/TR,157/butce-buyuklukleri-ve-butce gerceklesmeleri.html (27.11.2018).

In Figure 1, the red line shows the Flexible Fiscal Democracy Index and the blue line also shows Fiscal Democracy Index. Figure 1 shows the results of the Fiscal Democracy Index calculations based on the years 1950-2018 for Turkey. According to Figure 1, the index, which was seen as negative in 1950, gained an upward acceleration in 1960 and observed significant improvements. However, with the military coup in 1960, the index lost almost half of its value. Since the mid-1970s, the index has recovered again in the years that followed. This recovery was also interrupted by a military coup and, with the impact of the 1994, 1998 and 2001 crises since then, the index fell below the 1950 level and destroyed all the gains provided. Turkey, whose fiscal system has been bankrupt, has again achieved an upward acceleration with the reforms and programs it has implemented since 2002. Unfortunately, although this is a process of recovery, it is observed in Figure 1 that the global crisis that erupted in 2008-2009 affects Turkey as well. The Fiscal Democracy Index of Turkey in the process that followed the global crisis has provided a partial improvement, but it is still far below the high rates that were caught in the previous periods. In order to understand this situation, it would be meaningful to look at Figure 2.

Figure 2: The Ratio of Mandatory and Flexible Expenditures to Total Expenditures




Reference: The data obtained from the General Directorate of Budget and Fiscal Control (BUMKO) database were calculated by us. http://www.bumko.gov.tr/TR,157/butce-buyuklukleri-ve-butce gerceklesmeleri.html (27.11.2018).

The course of compulsory and optional spending that took place in Turkey is presented in Figure 2. The red line shows flexible expenditures to total expenditures ratio and the blue line also shows mandatory expenditures to total expenditures ratio in Figure 2. According to Figure 2, the share of investment expenditures of discretionary expenditures in the total expenditures of Turkey, especially after 2000, is very low. As a matter of fact, it was mentioned above that the Fiscal Democracy Index in recent years is far from its level in the best years. As a supporter of this argument, the current expenditures and transfer payments classified in the compulsory expenditure category are indicators that are on a fixed level after a certain period of time in investment expenditures.

Although it is known that successful performance was achieved at the budget point in the post-2002 period in Turkey, this success was not reflected in the fiscal democracy. Especially with the influence of expansionary policies prevailing around the world during this period, the state has also gained the largest privatization revenue in the history of the Republic. Although it is stated that the budget is apparently successful, the deterioration of public fiscal balances and macroeconomic indicators will increase the cost of borrowing costs as the shrinking policies dominate the world now. Therefore, it is estimated that the Fiscal Democracy Index will deteriorate in the future and will cause significant problems in public finance. Because in the following periods, the savings opportunities provided by the decrease in interest payments in the previous periods is now narrowed and the mandatory expenditures outside interest payments are at very high levels, increasing the accuracy level of these estimates.

As a matter of fact, the report published by the IMF on Turkey pointed out that the increase in the non-interest expenditure tendency in the post-2000 period pointed to new

budget contributions. Although low interest costs give budget flexibility, it is emphasized that salaries paid to personnel and transfers to social security institutions contributed greatly to the solidification of these spending categories in the short term (IMF, 2013: 30-31). Furthermore, it is underlined that spending limits remain only indicative in Turkey. Furthermore, it is underlined that spending limits remain only indicative in Turkey. Because there are deviations from the spending ceilings determined every year in Turkey and therefore revisions are to be made. This is a weakness that prevents the medium-term program from being reliable in Turkey, where the accountancy mechanism is lacking. In addition, such a budget application erodes fiscal discipline and increases spending attendance by creating the expectation that higher levels of public spending will occur (IMF, 2013: 41-42).

However, there is a point that should not be ignored. The index of fiscal democracy in Turkey in the face of the previously calculated index of fiscal democracy in the United States and Germany is positive. Because, given the calculations made in these countries, Turkey and these countries have the same points in the current situation. Although Turkey is a developing country, the Fiscal Democracy Index which is calculated for Turkey is positive when it is taken as reference value because these countries are the world's leading developed countries. However, for the United States to see the negative levels of the index again in the projection made by Steuerle in the following periods, it is similar to that of Turkey in the foreseeable future.

Conclusion

The concept of Fiscal Democracy, which allows national budgets and democracies to be viewed from a different and new perspective, should be emphasized. Existing governments remain under the influence of decisions taken by previous governments and therefore have to make decisions under certain constraints on the use of the budget. Elected governments through democratic elections need a flexible budget composition in order to respond to the democratic demands of the people. For this reason, the Fiscal Democracy Index, which is the criterion of the concept of Fiscal Democracy, measures the movement of countries or their flexibility and also the degree of democratization.

Since Fiscal Democracy is closely related to taxation, its relationship with tax competition and its results are important. There are different opinions on the effects of tax competition in the literature. In this study, it is concluded that the effects of tax competition are not exactly certain. However, it should be noted that tax competition has exacerbated fiscal democracy in most countries while broadening the scope of fiscal democracy in countries that can characterize it as small or peripheral.

In the literature, the Fiscal Democracy Index was calculated for the United States, Germany, and the Czech Republic. According to these calculations, the Fiscal Democracy Index declined sharply in these countries. The low Fiscal Democracy Index means that these countries do not have the fiscal space to provide flexibility to governments during any crisis, disaster or cyclical fluctuations, and they are not in a sustainable fiscal structure.

In this study, the Fiscal Democracy Index for Turkey covering the years 1950-2018 was calculated in terms of contribution to the literature. According to the index results, a fluctuating trend is observed. The reasons for these fluctuations have been interpreted with the help of the index, which is the military coups, political crises and economic and financial crises experienced in Turkey. In recent years, especially after 2002, more emphasis has been placed on the period. In the mentioned period, it was concluded that although Turkey's budget

performance was quite successful, similar success in terms of fiscal democracy could not be achieved. Considering the privatization revenues, low borrowing costs and expansionary policies in the world, especially in the aftermath of 2002, it has been concluded that this period is now behind and that Turkey's budget performance and Fiscal Democracy Index will be adversely affected in the future. However, the deterioration in fiscal balances that contractionary policies in recent macroeconomic indicators and trends that started to spread around the world will have negative consequences for Turkey.

At this point, it is important that the Fiscal Democracy Index be included in Medium Term Programs in public finance indicators. Because the governments elected by the people's votes should have a flexible budget structure in order to meet the demands of the citizens who choose them. This is a necessity of democratization and being democratic. Current expenditures and transfer payments, which have a large share in the budget, should be placed on the basis of efficiency. In particular, public recruitment should be reduced to a minimum in order to stop the increase in salaries and wages of staff, which is a heavy burden on the budget and also to encourage private sector work. In case of transfer payments, the budget deficits that cause the increase of interest payments with the highest weight should be avoided and borrowing application should be started only for the investments that are accepted as the golden rule in the borrowing. In addition, in case of compliance with the spending ceilings specified in Medium-Term Programs as recommended by the IMF and failure to comply with these ceilings, the necessary correction or enforcement mechanisms are important in terms of Fiscal Democracy and Public Finance.

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